

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: April 3, 2017

Monthly General Fund Receipts Through March 31, 2017

The attached spreadsheet presents FY 2017 General Fund total net receipts with comparable figures for actual FY 2016. The figures can be compared to the FY 2017 estimate of \$6.982 billion set by the Revenue Estimating Conference (REC) on March 14, 2017. The FY 2017 estimate is an increase of \$190.2 million (2.8%) compared to actual FY 2016 total net receipts (excludes transfers). The next REC meeting has not been scheduled.

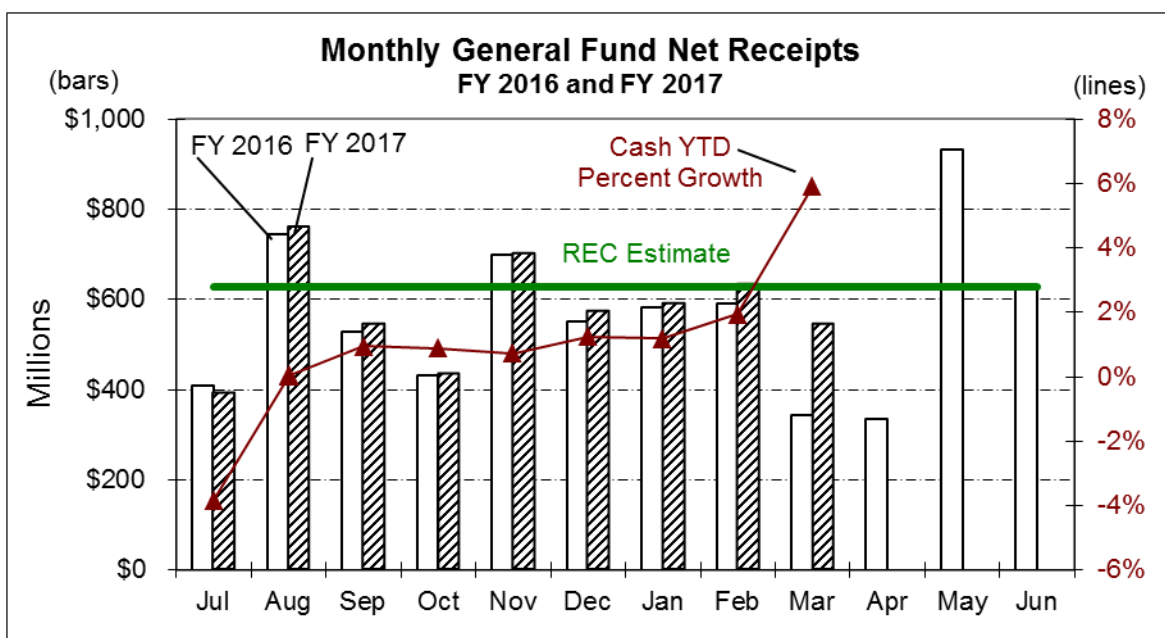
FY 2017 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Adjusted Projected Growth for the Year, Excluding Transfers = 2.8%						
Year-to- Date Ending:	Year-to- Date FY 2016	Year-to- Date FY 2017	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
July	\$ 407.6	\$ 392.1	\$ -15.5	-3.8%	\$ 11.4	\$ -26.9
Aug	1,151.8	1,152.3	0.5	0.0%	32.3	-31.8
Sept	1,680.7	1,696.8	16.1	1.0%	47.1	-31.0
Oct	2,111.5	2,130.5	19.0	0.9%	59.1	-40.1
Nov	2,812.2	2,832.8	20.6	0.7%	78.7	-58.1
Dec	3,364.6	3,406.5	41.9	1.2%	94.2	-52.3
Jan	3,948.3	3,995.2	46.9	1.2%	110.6	-63.7
Feb	4,538.7	4,627.0	88.3	1.9%	127.1	-38.8
Mar	4,882.7	5,172.4	289.7	5.9%	136.7	153.0
Apr	5,217.8					
May	6,151.3					
Jun	6,776.7					
Year end	6,791.7					

Overview of Current Situation

March 2017 net General Fund revenue was \$201.7 million (58.7%) above the March 2016 revenue level. Cash fiscal year-to-date net receipts are \$289.7 million (5.9%) higher than FY 2016. By the end of March 2017, tax refund processing was significantly slower than last year's pace, leading to the major difference in the comparison between the fiscal years.

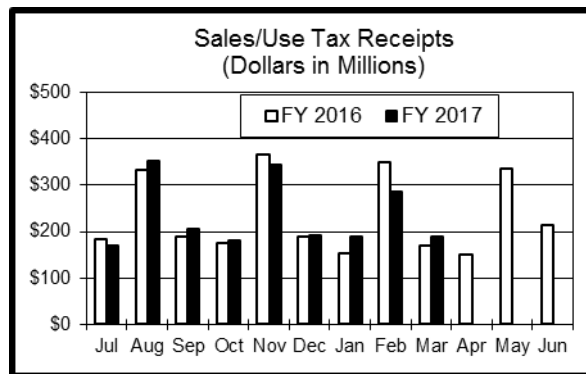
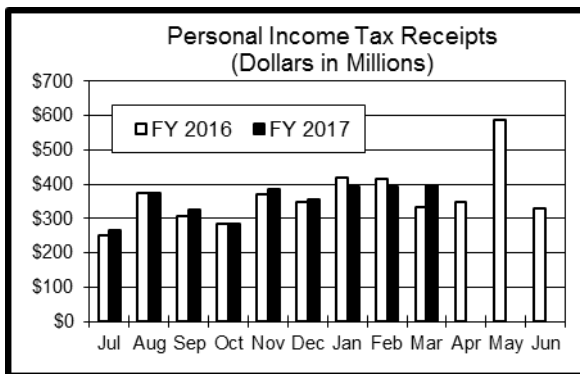
Major sources of revenue and their contributions to the FY 2017 year-to-date revenue change include:

- Personal income tax (positive \$79.1 million, 2.6%)
- Sales/use tax (negative \$0.3 million, 0.0%)
- Corporate tax (negative \$29.3 million, -8.8%)
- Other taxes (negative \$8.3 million, -4.5%)
- Other receipts (positive \$9.4 million, 4.5%)
- Tax refunds not including school infrastructure refunds (positive \$240.3 million)
- School infrastructure sales/use tax refunds (negative \$0.9 million)



Personal Income Tax revenue received in March 2017 totaled \$395.9 million, an increase of \$64.4 million (19.4%) compared to March 2016. Due to the timing and processing of personal income tax receipts in February 2016, \$24.0 million was processed during that month, which was processed in March 2017 this year. Adjusting for this difference, March 2017 is an increase of \$40.4 million (11.4%).

The FY 2017 REC income tax estimate of \$4.532 billion represents a projected increase of 4.1% compared to actual FY 2016. Through March 2017, personal income tax receipts have increased \$79.1 million (2.6%). By subcategory, withholding payments increased \$83.9 million (3.3%), estimate payments decreased \$16.8 million (-4.6%), and payments with returns increased \$12.0 million (8.1%). The following chart compares FY 2016 and FY 2017 monthly income tax receipts from the three personal income tax subcategories.



Sales/Use Tax receipts received in March 2017 totaled \$189.9 million, an increase of \$20.1 million (11.8%) compared to March 2016. Due to the timing and processing of sales/use tax receipts in February 2016, \$23.7 million was processed during that month, which was processed in March 2017 this year. Adjusting for this difference, March 2017 is a decrease of \$3.6 million (-1.9%).

The REC estimate for FY 2017 sales/use tax receipts is \$2.852 billion, a projected increase of 1.5% compared to actual FY 2016. Through March 2017, sales/use tax receipts decreased \$0.3 million (0.0%). The preceding chart compares FY 2016 and FY 2017 monthly sales/use tax receipts.

Corporate Income Tax receipts received in March 2017 totaled \$36.6 million, a decrease of \$26.7 million (-42.2%) compared to March 2016.

The REC estimate for FY 2017 corporate tax revenue is \$520.4 million, a projected decrease of \$0.1 million (0.0%) compared to actual FY 2016. Through March 2017, corporate income tax receipts decreased \$29.3 million (-8.8%).

Other Tax Receipts received in March 2017 totaled \$20.5 million, a decrease of \$6.9 million (-25.2%) compared to March 2016.

The REC estimate for FY 2017 other tax revenue is \$278.4 million, a projected decrease of 0.3% compared to actual FY 2016. Through March 2017, other tax receipts decreased \$8.3 million (-4.5%).

Other Receipts (nontax receipts) received in March 2017 totaled \$34.2 million, an increase of \$9.8 million (40.2%) compared to March 2016.

The REC estimate for FY 2017 other receipts revenue is \$304.3 million, a projected increase of 2.5% compared to actual FY 2016. Through March 2017, other receipts increased \$9.4 million (4.5%).

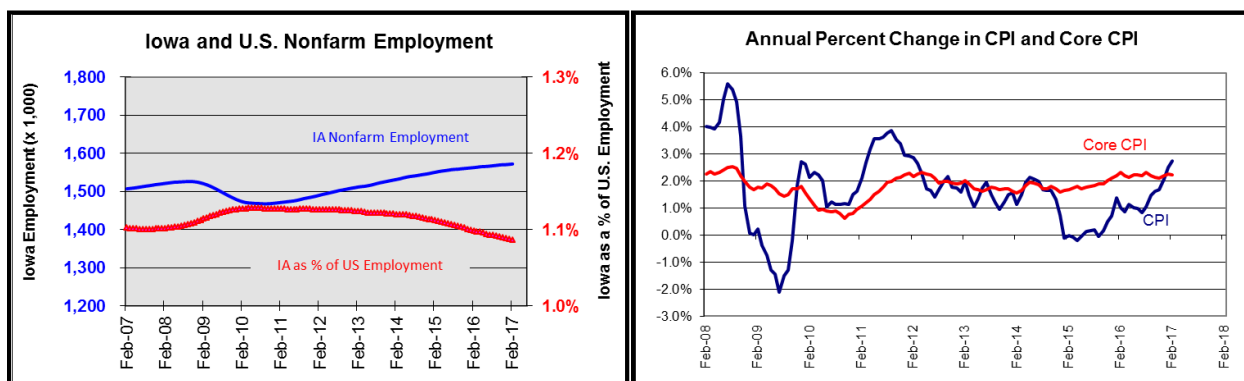
Tax Refunds issued in March 2017 totaled \$96.5 million, a decrease of \$142.2 million compared to March 2016. In addition to regular refunds, school infrastructure refunds totaled \$34.7 million, an increase of \$0.8 million compared to March 2016.

Status of the Economy

Iowa nonfarm employment was reported at 1,553,500 for the month of February 2017 (not seasonally adjusted), 10,700 (0.7%) higher than February 2016.

Iowa's 12-month average nonfarm employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,572,200, resulting in an annual average Iowa nonfarm employment level that is 45,800 above the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010. Iowa's percent of U.S. employment is currently at its lowest level since December 1987.



The Consumer Price Index (CPI-U) through February 2017 was 243.6 (1983/84=100). Consumer prices increased 0.3% in February (not seasonally adjusted) and the annual rate of inflation increased to 2.7%, an increase of 0.2% compared to January.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.4% in February and increased 2.2% year-over-year. The core inflation rate had not been consistently above 2.0% since July 2012. For the two components excluded from the core rate, energy prices are up 15.2% year-over-year and food prices are up 0.1%.

Further information can be found on the Fiscal Services Division website related to [State General Fund Daily Receipts](#) and other [Iowa Economic Trends](#).

GENERAL FUND RECEIPTS - FY 2017 vs. FY 2016 July 1 through March 31 (in millions of dollars) Dollars may not add due to rounding. Percentages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 2016 Actual Compared to FY 2017 REC Estimate		
	FY 2016	FY 2017	Year-to-Date % Change	March % Change	Actual FY 2016	Estimate FY 2017	Projected % Change
Personal Income Tax	\$ 3,090.8	\$ 3,169.9	2.6%	19.4%	\$ 4,355.5	\$ 4,531.9	4.1%
Sales/Use Tax	2,110.6	2,110.3	0.0%	11.8%	2,810.5	2,852.4	1.5%
Corporate Income Tax	331.1	301.8	-8.8%	-42.2%	520.5	520.4	0.0%
Inheritance Tax	70.2	66.8	-4.8%	35.4%	91.8	89.6	-2.4%
Insurance Premium Tax	71.3	66.5	-6.7%	-45.9%	119.7	120.5	0.7%
Cigarette/Tobacco Tax	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
Beer/Liquor Tax	10.5	10.4	-1.0%	-10.0%	14.1	14.4	2.1%
Franchise Tax	30.1	30.1	0.0%	-50.0%	52.1	52.5	0.8%
Miscellaneous Tax	0.8	0.8	0.0%	0.0%	1.5	1.4	-6.7%
Total Gross Taxes	\$ 5,715.4	\$ 5,756.5	0.7%	8.5%	\$ 7,965.7	\$ 8,183.1	2.7%
Institutional Payments	8.4	7.7	-8.3%	100.0%	12.1	8.1	-33.1%
Liquor Profits	83.9	85.7	2.1%	0.0%	112.3	114.0	1.5%
Interest	2.9	1.8	-37.9%	0.0%	4.1	3.7	-9.8%
Fees	21.5	19.7	-8.4%	19.4%	28.1	25.2	-10.3%
Judicial Revenue	64.7	61.5	-4.9%	-4.0%	97.7	97.7	0.0%
Miscellaneous Receipts	29.2	43.6	49.3%	460.0%	42.7	55.6	30.2%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
TOTAL GROSS RECEIPTS	\$ 5,926.1	\$ 5,976.4	0.8%	9.8%	\$ 8,262.7	\$ 8,487.4	2.7%
Accrued Revenue-Net					14.2	29.1	
Tax Refunds *	-687.9	-447.6	-34.9%	-59.6%	-1,018.3	-1,061.1	4.2%
School Infrast. Refunds *	-355.5	-356.4	0.3%	2.4%	-466.9	-473.5	1.4%
TOTAL NET RECEIPTS	\$ 4,882.7	\$ 5,172.4	5.9%	58.7%	\$ 6,791.7	\$ 6,981.9	2.8%
* For the Year-to-Date columns, refunds are presented on a cash basis. For FY 2016 Actual and FY 2017 Estimate, refunds are presented on a fiscal year basis. The FY 2016 Actual column is final.							